

STATEMENT

**JIMMY CHENEY
SOUTHERN PEANUT FARMERS FEDERATION**

March 11, 2004

**U.S. House of Representatives
Committee on Agriculture
Subcommittee on Specialty Crops and Foreign Agriculture
Programs**

Mr. Chairman, Members of the Subcommittee, my name is Jimmy Cheney, I am Chairman of the Georgia Peanut Commission's Board of Directors. I am here today representing the Southern Peanut Farmers Federation comprised of the Georgia Peanut Commission, the Alabama Peanut Producers Association and the Florida Peanut Producers Association. Accompanying me are Larry Ford, President of the Florida Peanut Producers Association and Jerry Byrd, Treasurer of the Alabama Peanut Producers Association.

The Southern Peanut Farmers Federation is the largest peanut producer organization in the United States. We produce sixty-five percent of the peanuts grown in this country.

Thank you for the opportunity to testify today. I produce approximately 600 acres of peanuts on my farm in Calhoun County, Georgia. I am a life long peanut producer. Under the old, pre-2002 Farm Bill peanut program, I was a quota holder and peanut producer. The Southern Peanut Farmers Federation supported most of the changes this House Agriculture Committee made in the peanut program. These changes have given America's peanut producers hope for a future in Agriculture. I personally think the peanut industry was doomed under the old program.

Mr. Chairman, Members of the Subcommittee, I can report to you that the majority of America's peanut producers are in a better economic position today than prior to the changes in the 2002 Farm Bill. The Southeast has seen increased acreage and peanut planting in new areas of the peanut belt for the first time. An industry in trouble has begun to stabilize.

Make no mistake about it; Southeastern peanut growers are grateful for our new program. It began in this House Agriculture Committee and IT WORKS FOR PEANUT PRODUCERS! We thank you for your work and efforts.

Although the regulatory process has been quite difficult for producers, this past crop year supported by adequate weather conditions allowed growers to produce a good crop in the Southeast.

Despite the Congress producing legislation that moved the peanut industry into modern, competitive agriculture, we do have regulatory concerns. The U.S. Department of Agriculture was not prepared for the new peanut program as established by the 2002 Farm Bill. Growers during the 2002 crop year produced peanuts without assurances of how their product would be marketed or what their ultimate financial return would be. This was a challenge for peanut farmers.

The regulations for the 2003 crop year improved in most areas. One prominent issue still of concern for producers is the loan repayment rate for peanuts. The Department's current formula has, over time, caused the demise of the U.S. peanut export market. Customers around the world, developed through years of business relationships, have been lost to other peanut exporting countries because the U.S. loan repayment rate was set too high. Recent low production levels for some major exporting countries has placed the loan repayment more in line with market conditions but it is quite evident that the Department is not considering the prices offered in the marketplace by our competition, other peanut exporting countries. The Congress' message in the 2002 Farm bill that prices from other peanut exporting nations are taken into account in setting the loan repayment rate has been largely ignored by USDA. Peanut state representatives have urged the Department to re-evaluate its loan repayment rate processes to no avail. We hope the Committee will continue to review the loan repayment rate calculations and encourage the Department to help the industry recapture its export markets through competition and not just based on other exporting nation's weather conditions.

The peanut quality segregation issue continues to trouble the Southeast. The USDA has maintained through regulations the segregation of peanuts as under the old program. The loan rate set by

USDA, even though not required by legislation, is sixty-five percent below (\$124.25) the legislated loan rate. The producer is penalized but there are no restrictions on these peanuts for commercial use. If a lower loan rate is necessary, it should reflect the commercial value of the peanuts, not an arbitrary rate established by USDA. The method of determination of Segregations 2 and 3 has remained unchanged since the mid sixties despite tremendous advantages in technology. We are trying to work with USDA and have presented them several options. Movement is slow and we feel that without a message from Congress to USDA, this issue will not be resolved.

The USDA moved quickly to change the structure of administering the peanut program after the 2002 Farm Bill. This has not eliminated the “Old Program” mentality for some at the Department. Growers asked Congress to eliminate our supply-management structure and Congress agreed yet the Department continues to view the peanut program as one whose production should be highly regulated or controlled. We would hope your Committee will encourage USDA to assist U.S. peanut producers to grow in the world marketplace and not to become trapped in a pre-2002 Farm Bill mentality.

USDA agencies and agency divisions must work together to administer the new program. Without a coordinated effort, U.S. peanut producers will not be competitive in the world marketplace. This coordination is critical to the long-term success of the program!

We hope the Committee will also diligently monitor the impact of upcoming trade agreements on U.S. peanut producers. Prior to the 2002 Farm Bill, U.S. peanut producers opposed every major trade agreement coming before the Congress. We hope future trade agreements can merit our support and that they will promote significant growth for U.S. producers as a result of these agreements.

USDA’s Market Assistance Program and other export promotion assistance programs should include domestic processed peanut products that could be exported as finished goods. Currently, branded promotions are not allowed under these programs. They should not only be allowed but encouraged due to the value added nature of the

products exported. Branded promotions should also be allowed for foreign manufacturers when U.S. origin peanuts are exclusively used.

Finally, as peanut producers transition to a more market oriented industry, we ask you to encourage USDA to facilitate additional marketing options for producers. Opportunities for growers to market their product are very limited. Our new program should produce additional opportunities. We believe USDA can help educate and encourage our industry in the use of new marketing options.

We appreciate the interest this Committee has shown in our industry. With a program that worked for many decades, it became time for a change. The House Agriculture Committee's leadership allowed us to save an industry quickly disappearing in our country. Thank you for your help and cooperation in making changes in order to keep our industry viable.

I thank you again for allowing me to testify.